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SUBJECT: NIGERIA TO HONOR HISTORICAL TAX WAIVERS

¶1. (U) Summary: The tax reforms begun under the previous administration will be continued, according to the head of Nigeria's Federal Inland Revenue Service (FIRS). The government will stand by its commitments on historical tax waivers but will not grant new ones. The increase from 5 to 10 percent Value Added Tax will be accompanied by a reduction in income taxes. End summary.

¶2. (U) Ms. Ifueko Omoigui, Chairman of Nigeria's Federal Inland Revenue Service (FIRS), told executives of U.S. companies at an American Business Council (ABC) meeting on October 31 that tax reforms begun by the previous administration would be sustained. The reforms, created with private sector input, seek to streamline taxes, diversify the country's revenue base, and reduce the tax burden on the people. Indirect, rather than direct, forms of taxation would ease tax administration, she said. Omoigui said FIRS collects only about 50-60 percent of the amount of tax owed by corporations, but even less, only about five percent, of the amount owed by individuals.

¶3. (U) Omoigui said the GON would not grant new tax waivers, but historical tax waivers would remain in force. This, she said, was to assure investors of the GON's resolve not to renege arbitrarily on its previous agreements. ABC members noted Nigerian Customs officials at the ports have failed to abide by the provisions of historical waivers, suggesting they were not properly briefed. Omoigui responded that FIRS would address this issue.

¶4. (U) However, Omoigui admitted Nigerians misunderstand the reforms and see them as a burden, particularly the proposed Value Added Tax (VAT) increase from 5 percent to 10 percent. The local press has misinformed the public, she said, by omitting the fact that the proposal to increase the VAT also proposes to reduce personal and company income taxes. The FIRS also proposed a revised zero-VAT items schedule and correction of all VAT ambiguities, but this has also been downplayed by the press and gone unnoticed by the public. The omission, she said, has reduced people's willingness to consider indirect taxation and the VAT increase on the merits. However, the FIRS is committed to going ahead with the reform by sensitizing stakeholders in all six geopolitical zones and the business community, particularly in Lagos. Omoigui urged the ABC to present to FIRS all tax-related issues encountered in their sectors so that they could be addressed.

¶5. (U) On the ills of multiple taxation, Omoigui said the FIRS can only advise the states and local governments through the Joint Tax Board (JTB). Omoigui, who is also the JTB chair, said federal level efforts to reduce multiple-taxation are ongoing. She also said four banks had been appointed to receive all of the FIRS's daily collections from 20 other banks, which will make reconciling accounts easier.

¶6. (SBU) Comment: The new government's commitment to tax reform, its pledge to honor prior tax waivers, and the suspension of new waivers are commendable steps towards rationalizing Nigeria's tax system. However, the GON will face a huge public relations task in convincing the public to accept tax reform. The local press has not

made this any easier, and the glaring evidence of misappropriation of public funds at every level of government mitigate the average Nigerian's desire to pay any, let alone more, tax. End comment.

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